

PUBLIC EMPLOYEES RETIREMENT BOARD
Employee Investment Advisory Council
100 North Park
Helena MT 59601
March 21, 2007

Kathy Samson; Council Chair with the following in attendance, called the meeting to order:

Council Members:

Tom Schneider, Labor Organization Representative
Tom Bilodeau, Labor Organization Representative
Robert Bugni, Board of Investments Representative
Paula Stoll, State Employee Representative
Ed Dawes, State Employee Representative (arrived later)
Mary Spaulding, State Employee Representative
Kevin McRae, University System Representative
Ron Alles, Local Government Employee Representative
James Helgeson, Local Government Employee Representatives
Pam Fleisner, School District Employee Representative

Council Members who were excused:

Jim Penner, Retired Public Employee Representative

Others in attendance are as follows: MPERA staff: Melanie Symons, Carolyn Miller, and Rob Virts. Howard Biggs of Arnerich Massena & Associates, Inc. presented the annual Fund Review for the 457(b) and 401(a) plans.

HOUSEKEEPING ITEMS

Tom Schneider moved to accept the minutes of the January 23, 2007 EIAC meeting; with the correction of the calendar year from 2006 to 2007. James Helgeson made the second. The motion passed unanimously.

There were no public or participant comments.

Kathy Samson gave a Legislative Update.

INVESTMENT POLICY STATEMENT'S AMENDED DRAFTS

In February 2007, the Board approved the Investment Policy Statement for the Deferred Compensation and Defined Contribution Retirement Plans. The Board must now adopt the amended IPS by reference through the administrative rule process; which has started; they will be published March 22, 2007 and become effective May 25, 2007. The 2007 annual refund review will be performed under the prior Investment Policy Statements.

INVESTMENT CONSULTING REQUEST FOR PROPOSAL

The RFP committee: Melanie, Kathy, Ed Dawes, and Bob Bugni met Monday March 12, 2007.

EIAC discussion included:

- Conflict of interest language will retain its strength but be further clarified.
- Quarterly data sheets on all funds will be required.
- Bob Bugni asked that the funds performance show the return to participants after fees are taken.
- Usefulness of monitoring discontinued funds to evaluate EIAC performance and put our consultants to the test was discussed. This will be pulled out of the RFP; so that EIAC can determine how they evaluate themselves and the consultant.

Mary Spaulding moved that EIAC will **delegate authority** to the RFP committee to **vote on the final draft** of the RFP. Ron Alles made the second; the motion passed with six votes in favor and none opposed.

The committee will meet again to decide if they would like to use a Two Tier Process for required and variable future services and further discuss RFP language. Kathy Samson will re-work the RFP to the committee's satisfaction then send it out to council.

After the PERB approves the RFP, State Procurement will issue and post it. Entities who are interested in responding will send their questions to the RFP Committee; who will respond a week later; requesting the responses be due two weeks later.

The RFP committee along with Jay Klawon and John Paull will take three weeks to score the responses. The top scorers will present to EIAC a week later; EIAC will score the oral presentation. The oral scores will be added to the scores for the written responses and the price; then the top score and offer will be recommended to the PERB for the contract award. PERB will write a justification; send it to State Procurement; who notifies the party of the intended contract award.

ANNUAL FUND REVIEW 457(b) DEFERRED COMPENSATION PLAN

Ron Alles moved to accept the Arnerich Massena & Associates, Inc. recommendation to **retain** Neuberger Berman High Income Investor **on probation**. The rationale was this High Yield Bond has underperformed the bench-mark criteria in the Investment Policy Statement although it's doing well as it relates to risk category within it's type. Bob Bugni made the second. The motion passed with eight votes in favor and none opposed.

Paula Stoll moved to **terminate** the TCW Galileo Select Equities Large Cap Growth Fund and **map plan investors to the Fidelity Contrafund**. The rationale is; because management is not changing this fund is likely to result in a "roller-coaster ride" for participants and is a redundant option that is similar to the Fidelity Contrafund. Tom Schneider made the second; the motion passed with nine in favor and none opposed.

James Helgeson moved to accept the Arnerich Massena & Associates, Inc. recommendation to **retain** all other funds in the plan. Ed Dawes made the second; the motion passed with eight votes in favor and none opposed.

ANNUAL FUND REVIEW 401(a) DEFINED CONTRIBUTION PLAN

Tom Schneider moved to **remove** the Vanguard Equity Income Admiral Large Cap Value **from probation**. The rationale is it has met the Investment Policy Statement benchmark criteria. Pam Fleisner made the second; the motion passed with eight votes in favor.

Mary Spaulding moved to **maintain** SSGA International Growth Opportunities **on probation**. The rationale is primarily due to timing of the pending RFP with a small group on investors in our plan. The fund is small group invested and although it continues to underperform the peer group, it is looking better. Jim Helgeson made the second; the motion passed with seven votes in favor and none opposed.

Bob Bugni moved to accept the Arnerich Massena & Associates, Inc. recommendation to **retain** all other funds in the plan. Mary Spaulding made the second; the motion passed with seven in favor and none opposed.

PENDING WORK

- 1) Investment Consulting Request for Proposal

CLOSING BUSINESS

Jim Helgeson moved to adjourn the meeting. Mary Spaulding made the second; the motion passed with six votes in favor and none opposed. Kathy Samson adjourned the meeting.